



County of Los Angeles **CHIEF EXECUTIVE OFFICE**

713 KENNETH HAHN HALL OF ADMINISTRATION
LOS ANGELES, CALIFORNIA 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

November 20, 2007

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**APPROVAL TO EXTEND CONTRACT FOR
MEDICAL MALPRACTICE, HOSPITAL LIABILITY CLAIMS ADMINISTRATION,
AND LEGAL DEFENSE MANAGEMENT SERVICES
(ALL DISTRICTS) (3 VOTES)**

IT IS RECOMMENDED THAT YOUR BOARD:

Approve and instruct the Chairman to sign Amendment No. 2 to extend Contract No. 75928, for medical malpractice, hospital liability claims administration, and legal defense management services, for a one-year period effective January 1, 2008 through December 31, 2008.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

On November 14, 2006, your Board approved and executed a contract with Octagon Risk Services, Inc., subsequently renamed Sedgwick Claims Management, Inc. (Sedgwick), for a one-year term, with four annual renewal options. The purpose of this recommendation is to extend the existing contract for a one-year period, to ensure that the County of Los Angeles (County) receives uninterrupted third party administrator (TPA) claim administration and legal defense management services for its medical malpractice and hospital liability self-insurance program.

Implementation of Strategic Plan Goals

The services provided under this contract support the County's Strategic Plan Goal Four, Fiscal Responsibility, by allowing the County to effectively manage its resources.

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

FISCAL IMPACT/FINANCING

Funding for this Amendment is included in the Fiscal Year 2007-08 Adopted Budget, and will be requested as a continuing appropriation in future fiscal years.

In accordance with County policy, the contract contains a Cost-of-Living Adjustment (COLA) provision, whereby the Chief Executive Office (CEO) may increase the contractor's compensation during the option years, capped at the lesser of the general salary movement percentage for County employees or the Consumer Price Index for Urban Consumers (CPI-U).

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

On November 14, 2006, your Board approved the existing contract for a one-year term, effective January 1, 2007 through December 31, 2007, with four annual renewal options. Your Board further instructed the CEO to provide the results of the annual audit of Sedgwick's performance for each year of the contract, and include feedback from County client departments and any corrective actions that will be implemented in areas that may need further improvement.

The CEO conducts a biannual claim adjusting performance audit of the contractor's claim administration and litigation management practices; the most recent audit was conducted in April 2007. Out of a possible 100 points, the contractor received a score of 85, a 23 percent improvement in the contractor's performance since the baseline audit in April 2005.

The CEO also conducted a survey of County client departments regarding the contractor's performance during Fiscal Year 2006-07. Specific performance criteria were evaluated by the Sheriff's Department (Sheriff), County Counsel, Department of Coroner (Coroner), Fire Department (Fire), Department of Health Services (DHS), Department of Mental Health (DMH), and the CEO's Risk Management Branch. The survey responses were positive. The client departments' responses indicate they were either satisfied or very satisfied with the contractor's services. No deficiencies were identified that require a specific corrective action plan by the contractor.

The attached Amendment has been approved as to form by County Counsel.


IMPACT ON CURRENT SERVICES

This Amendment will ensure continued, uninterrupted TPA services to the CEO and to the Sheriff, County Counsel, Coroner, Fire, DHS, and DMH.

CONCLUSION

Upon approval by your Board, please return two original signed Amendments and an adopted stamped copy of this letter to the CEO Risk Management Branch.

Respectfully submitted,



WILLIAM T FUJIOKA
Chief Executive Officer

WTF:LN
RAA:JWS:km

Attachment

- c: Executive Officer, Board of Supervisors
 Sheriff
 County Counsel
 Auditor-Controller
 Department of Coroner
 Fire Department
 Department of Health Services
 Department of Mental Health

**CONTRACT NO. 75928 FOR MEDICAL MALPRACTICE,
HOSPITAL LIABILITY CLAIMS ADMINISTRATION AND
LEGAL DEFENSE MANAGEMENT SERVICES**

AMENDMENT NO. 2

WHEREAS, on November 14, 2006, the County of Los Angeles, hereinafter "County", entered into a Contract with Octagon Risk Services, Inc. (hereinafter "Contractor") for the provision of medical malpractice, hospital liability claims administration and legal defense management services; and

WHEREAS, in Amendment No. 1 to the Contract, Contractor's name was changed to Sedgwick Claims Management Services, Inc.; and

WHEREAS, the term of the Contract was for one year, beginning January 1, 2007 through December 31, 2007, with four annual renewal options to be approved by the County's Board of Supervisors; and

WHEREAS, the County and Contractor desire to extend this Contract for one year, effective January 1, 2008 through December 31, 2008;

NOW, THEREFORE, it is agreed between the parties that the Contract shall be modified as follows:

1. Section 4.0, Term of Contract, shall be amended to include the following:

- 4.5 Effective January 1, 2008 the term of this Contract shall be extended for one year, through December 31, 2008, upon approval thereof by County's Board of Supervisors.

Except for the changes set forth herein, all other terms and conditions of the Contract shall remain the same.

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IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 2 to be executed on its behalf by its duly authorized officers, effective upon approval by the Board of Supervisors.

SEDGWICK CLAIMS MANAGEMENT
SERVICES, INC.

COUNTY OF LOS ANGELES

By Stephanie Simpson
Name

By _____
Chairman, Board of Supervisors

Asst. Vice-Pres.
Title

ATTEST:

SACHI A. HAMAI
Executive Officer-Clerk
of the Board of Supervisors

By _____
Deputy

APPROVED AS TO FORM:

RAYMOND G. FORTNER, JR.
County Counsel

By Joyce M. Aiello
Joyce M. Aiello
Principal Deputy County Counsel